



Financial terminology

- Income / Revenue
- Expenses
- Capital / Equity
- Account receivable / payable
- Fixed vs. Current Assets & Liabilities

Handling cash

- Use a receipt book
- Count the cash
- Calculations? - Double-check them
- Take care to place receipts and cash in a lockable cash-box
- Receipts → cash ledger ASAP!

Cash cycle within the massage practice

The massage income unit (an example)

Cash provided for massage	Income
(Cost of massage materials)	Variable costs
(Cost of overheads)	Fixed costs
Surplus	Gross Profit

Earnings = MIU x number of massages

Cash cycle v2

The massage income unit (an example)

Cash provided for massage	Income
(Cost of massage materials)	Variable costs
Surplus	Gross Profit

Earnings =
(MIU x number of massages) - Overheads

Cash Ledger



- Record transactions in and out
- A database of information for analysis
 - Important to customise to fit your needs
- Double-entry book-keeping
 - Built-in feedback
- The basis of all other financial statements



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Profit & Loss Statement



- The year at a glance
- Basis of taxation
- Simplified P&L statement
 - $\text{Income} - \text{Expenses} = \text{Net profit (before tax)}$
 - $\text{Tax} = \text{Net profit} \times \text{tax rate}$
 - $\text{Net profit (after tax)} = \text{Net profit (before tax)}$
- The more profit the better



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Cost of Goods Sold



Costs directly attributable to the production of a good/service

Direct costs

- Laundry
- Labour costs
- Lubricant/materials
- Cost of products sold

Indirect costs

- Rent
- Electricity
- Marketing



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Home office expenses



- 25% of car vehicle expenses
- Phone
 - 50% of land-line charges
 - Tolls – based on purpose – Provider splitting?
 - 100% of cell-phone charges
- Other services based on %age of floor area or usage
 - Interest on mortgage, electricity
 - Internet



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The Balance Sheet



- Financial snapshot
- Assets vs. Liability
- Current vs. Fixed
- $\text{Equity} = \text{Assets} - \text{Liabilities}$



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Cashflow forecast



- Prediction of future income
- Standard part of an application for finance
- Useful for thinking about
 - Changes in price / drawings
 - Integration of marketing and operations



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Cashflow forecasting



Forecasting Income

- How much will you charge?
- How many clients do you expect to have per week?
- What is your client growth rate?
- Will your business be affected by seasonal factors?
- Product sales = %age of massage sales.



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Cashflow forecasting



Forecasting Expenses

- Base on accurate figures where possible
 - Date & Value
- **Variable costs:** %age of sales income
- **Tax:** Tax rate x Cash surplus (previous)



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Improving your forecasting



- 3 level cash-flow
 - Best-case
 - Middle-of-the-road
 - Worst-case
- Integrate with business planning
 - Marketing → Sales
 - Capital expenditure



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Budgeting



A budget defines what you plan to spend money on.

Establishment budget – The cost to establish a venture, or a clinic

Running budget

- Similar to the cashflow forecast
- Tracks actual cash position
- Future purchase/investments are typically noted in the budget



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